

**ICP CAPITAL LIMITED**

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**Report and Financial Statements**

**ICP Capital Limited**

**Registered Number: 5484332**

**31 December 2016**

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## ICP CAPITAL LIMITED

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## ICP CAPITAL LIMITED

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### **Company Information**

### **Directors and Advisors**

#### **Directors**

Sir NHP Bacon  
Lord Marland of Odstock  
RCW Odey  
T Shenton

#### **Company Secretary**

AS Fox

#### **Registered Office**

Unit A21, Jack's Place  
6 Corbet Place  
London  
E1 6NN

#### **Auditors**

PKF Littlejohn LLP  
Statutory Auditor  
1 Westferry Circus  
Canary Wharf  
London  
E14 4HD

## ICP CAPITAL LIMITED

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### Strategic Report

The Directors present their Strategic Report and Financial Statements for the year ended 31 December 2016.

### Review of the Business and Future Developments

The Company's principal activity is to carry on the business of underwriting as a corporate member of Lloyd's. The Company is a wholly owned subsidiary of ICP Holdings Ltd, as is ICP General Partner Ltd which is the Company's Members Agent. ICP General Partner Ltd also manages Insurance Capital Partners LP which, until 1 January 2015, provided capital to the Funds at Lloyd's ('FAL') of the Company through ICP Securities Ltd, a company incorporated in Guernsey. Under a FAL provision agreement between the company and ICP Securities Ltd, ICP Securities Ltd receives interest on the FAL and a profit participation.

Effective as of 1 January 2015, most of the partners, who provided the capital to Insurance Capital Partners LP, transferred their capital and interests into a new structure, as explained below and hence for the 2015 underwriting year of account onwards the relationships with Insurance Capital Partners LP and ICP Securities Ltd were replaced with arrangements with ICP Investment Holdings Ltd and ICP Reinsurance Ltd, both newly incorporated companies in the Cayman Islands. These new arrangements are described below:

- ICP Investment Holdings Ltd and ICP Reinsurance Ltd have entered into a FAL provision agreement with the Company for the 2015 and subsequent years of account. The FAL has, as part of a restructuring, come from the majority of ex-partners in Insurance Capital Partners LP, in return for various Ordinary Shares, Capital Shares, Open Year of Account Shares for 2013 and 2014 and Year of Account Shares for 2015 in ICP Investment Holdings Ltd.
- In addition, ICP Reinsurance Ltd has entered into a whole account quota share Reinsurance Contract with the Company for each of the 2013, 2014, 2015, 2016 and 2017 years of account.

These FAL agreements and Reinsurance arrangements transfer the majority of the underwriting results of the Company to these other entities, via ICP Securities where applicable. In addition there is a fee payable to ICP General Partner Ltd for its role as Members Agent.

The Company is underwriting on a capacity of £82.3m for the 2017 year of account, £91.4m for the 2016 underwriting year of account, £88.7m for the 2015 underwriting year of account, £96.6m for the 2014 underwriting year of account and £100.0m for the 2013 underwriting year of account.

The underwriting return for the 2014 year of account was 11.7%, but after taking account of the runoff accounts for earlier years this reduced to 10.4%, of capacity written. The underwriting return, at 36 months, of the 2013 year of account was 9.6% of capacity written. The underwriting return for the 2012 year of account was 9.4% of capacity written. The underwriting return for 2015 is expected to be in the range of 2.2% to 9.6% of capacity written. The underwriting return for 2016 is expected to be in the range of -3.0% to 5.4% of capacity written. Underwriting returns and interest on Funds held at Lloyd's are paid to capital providers.

The Company's principal retained economic interest is in syndicate capacity. In 2016 sales of capacity generated a profit of £0.38m (2015: £0.10m). The value of syndicate capacity at 2016 auction average weighted values was £31.6m (2015: £37.3m).

The Company's principal retained risk is that changes or losses in the Lloyd's market reduce the value of the syndicate capacity and limit the capacity which capital providers wish to provide.

### Financial Instruments

The Company's activities expose it to a variety of financial risks, including the effects of foreign currency exchange rates and interest rates. The Company's overall risk management policy focuses on monitoring potential adverse effects where considered material.

The Company accepts a certain degree of interest rate risk and other market price risks and continues to monitor these on an on-going basis. Prudent cash management is used to reduce any exposure to liquidity risk.

## ICP CAPITAL LIMITED

### Strategic Report (continued)

The Company has no specific concentration of credit risk. It does not have insurance cover against loss of key staff and is unlikely that this will be put into place.

### Key Performance Indicators

The Directors consider the following to be the key performance indicators of the Company:

Calendar year ended:	2016	2015	Change
US\$ exchange rate to £1	1.24	1.47	(15.65)%
Capacity (youngest underwriting year) £'000	91,417	88,719	3.04%
Profit/(loss) after tax £'000	384	654	(41.28)%

Year of account closed	2014	2013	Change
Capacity of Year of Account which closed £'000	96,619	100,041	(3.42)%
Underwriting profit of latest closed pure year £'000	11,279	9,663	16.72%
- as a % of capacity	11.67%	9.66%	20.81%

### Other Performance Indicators

As a result of the nature of this Company as a Lloyd's Corporate Member the majority of its activities are carried out by the syndicates in which it participates. The Company is not involved directly in the management of the syndicate's activities, including employment of syndicate staff, as these are the responsibility of the relevant Managing Agent. Each Managing Agent will also have responsibility for the environmental activities of each syndicate, although by their nature insurers do not produce significant environmental emissions. As a result, the Directors of the Company do not consider it appropriate to monitor and report any performance indicators in relation to staff or environmental matters.

### Risk Management

As a corporate member of Lloyd's the majority of the risks to this Company's future cash flows arise from its participation in the results of Lloyd's syndicates. As detailed below, these risks are mostly managed by the Managing Agent of the syndicate. This Company's role in managing this risk in conjunction with its Members' Agent is limited to selection of syndicate participations and monitoring performance of the syndicates. The Company seeks to achieve a balance of risk and reward in the portfolio of syndicates it chooses to support. The majority of the syndicate risks are transferred to other entities under the FAL provision agreements and reinsurance agreements, as described above. This Company does retain the risk of Syndicate Capacity values changing, which will be influenced by the Syndicates' underlying performance.

### Syndicate risks

The trading activities of a syndicate expose it to a variety of financial and non-financial risks. The Managing Agent is responsible for managing the syndicate's exposure to these risks and, where possible, introducing controls and procedures that mitigate the effects of the exposure to risk. Each year, the Managing Agent prepares an Individual Capital Assessment (ICA) for the syndicate, the purpose of this being to agree capital requirements with Lloyd's based on an agreed assessment of the risks impacting the syndicate's business, and the measures in place to manage and mitigate those risks from a quantitative and qualitative perspective. The risks described below are normally reflected in the ICA; and typically the majority of the total assessed value of the risks concerned is attributable to Insurance Risk.

The insurance risks faced by a syndicate include the occurrence of catastrophic events, downward pressure on pricing of risks, reductions in business volumes and the risk of inadequate reserving. Reinsurance risks arise from the risk that a reinsurer fails to meet their share of a claim. The management of the syndicate's funds is exposed to risks of investment, liquidity, currency and interest rates leading to financial loss. The syndicate is also exposed to regulatory and operational risks including its ability to continue to trade. However, supervision by Lloyd's and the Financial Conduct Authority provide additional controls over the syndicate's management of risks.

## ICP CAPITAL LIMITED

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### Strategic Report (continued)

The Company manages the risks faced by the syndicates on which it participates in conjunction with its Members' Agent by monitoring the performance of the syndicates it supports. This commences in advance of committing to support a syndicate for the following year, with a review of the business plan prepared for each syndicate by its Managing Agent. In addition quarterly reports and annual accounts together with any other information made available by the Managing Agent are monitored and if necessary enquired into. If the company or Members' Agent considers that the risks being run by the syndicate are excessive it will seek confirmation from the Managing Agent that adequate management of the risk is in place and if considered appropriate will withdraw support from the next underwriting year.

### Investment and currency risks

The other significant risks faced by the Company are with regard to the investment of the available funds within its own custody. The elements of these risks are investment risk, liquidity risk, currency risk and interest rate risk. To mitigate this, the surplus Company funds are invested in the Money Market. The main liquidity risk would arise if a syndicate had inadequate liquid resources for a large claim and sought funds from the company to meet the claim. In order to minimise investment, credit and liquidity risk the company's funds are invested in readily realisable money market deposits. The Company usually does not use derivative financial instruments to manage either its interest rate risk or its currency risk and, as such, no hedge accounting is applied. However, during the year ended 31 December 2016 a foreign exchange forward derivative contract was used and as at the year end it had an open position at a loss of £480,361.

### Regulatory Risks

The company is subject to continuing approval by Lloyd's to be a member of a Lloyd's syndicate. The risk of this approval being removed is mitigated by monitoring and fully complying with all requirements in relation to membership of Lloyd's. The capital requirements to support the proposed amount of syndicate capacity for future years are subject to the requirements of Lloyd's. A variety of factors are taken into account by Lloyd's in setting the capital requirements including market conditions and syndicate performance and although the process is intended to be fair and reasonable the requirements can fluctuate from one year to the next, which may constrain the volume of underwriting the company is able to support.

### Operational Risks

As there are relatively few transactions actually undertaken by the Company there are only limited systems and staffing requirements of the company and therefore operational risks are not considered to be significant. Close involvement of all Directors in the company's key decision making and the fact that the majority of the company's operations are conducted by syndicates provides control over any remaining operational risks.

### Impact of Brexit vote

Following the referendum vote for the United Kingdom to leave the EU, Lloyd's has been working together with market members to prepare for changes that are likely to arise as a result of leaving the EU. Lloyd's have noted that, although only around 11% of the market's gross written premiums arise from the EU excluding the UK, they are making preparations to maintain access to the insurance market in the EU. At this time the details of future trading with the EU in general and the impact on the Lloyd's market cannot be known, although these uncertainties, together with related economic factors including exchange rates and investments values, may have an impact on results for several years. The Directors are monitoring the Lloyd's market's preparations along with general market conditions to identify if it is appropriate to make any changes to the current strategy of the Company.

BY ORDER OF THE BOARD



T Shenton  
Director  
Unit A21, Jack's Place  
6 Corbet Place  
London E1 6NN

26 June 2017

## ICP CAPITAL LIMITED

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### Report of the Directors

The Directors present their report with the audited Financial Statements of the Company for the year ended 31 December 2016.

### Results and Dividends

The results for the period and the state of the Company's affairs as at 31 December 2016 are shown in the Financial Statements. No dividend was declared during the year (2015: Nil).

### Directors

The following have served as Directors during the period from 1 January 2016 to the date of this report, unless otherwise stated.

R Adair  
Sir NHP Bacon  
The Lord Marland of Odstock  
RCW Odey  
T Shenton

Resigned 1 September 2016

Other changes in Directors holding office as follows:

CAA Harbord-Hamond deceased ceased to be a Director on 15 January 2016.

### Disclosure of Information to the Auditor

In the case of each of the persons who are Directors at the time this report is approved, the following applies:

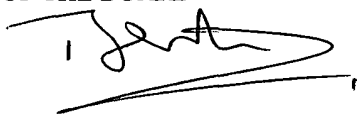
- (a) So far as the Directors are aware, there is no relevant audit information of which the Company's auditor is unaware, and
- (b) They have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

### Auditors

The auditor, PKF Littlejohn LLP has expressed its willingness to continue in office.

BY ORDER OF THE BOARD

T Shenton  
Director  
Unit A21, Jack's Place  
6 Corbet Place  
London E1 6NN



26 June 2017

**Statement of Directors' Responsibilities**

The Directors are responsible for preparing the Strategic Report, the Report of the Directors and the Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law the Directors have elected to prepare the Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

Under company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Financial Statements; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping proper accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Financial Statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



**Independent Auditor's Report to the Members of ICP Capital Limited**

We have audited the Financial Statements of ICP Capital Limited for the year ended 31 December 2016 comprising pages 9 to 38. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and FRS 103 "Insurance Contracts".

This report is made solely to the Company's Members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's Members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's Members as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective Responsibilities of Directors and Auditor**

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Financial Statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

**Scope of the audit of the Financial Statements**

An audit involves obtaining evidence about the amounts and disclosures in the Financial Statements sufficient to give reasonable assurance that the Financial Statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances, and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the Financial Statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited Financial Statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

**Opinion on Financial Statements**

In our opinion the Financial Statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2016 and of its result for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Opinion on other matters prescribed by the Companies Act 2006**

In our opinion, based on work undertaken in the course of the audit:

- the information given in the Strategic Report and the Report of the Directors for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements; and
- the Strategic Report and the Report of the Directors have been prepared in accordance with applicable legal requirements.

## ICP CAPITAL LIMITED

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### Independent Auditor's Report to the Members of ICP Capital Limited (continued)

#### Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of audit, we have not identified any material misstatements in the Strategic Report and the Report of the Directors.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the Financial Statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Neil Coulson (Senior statutory auditor)  
For and on behalf of PKF Littlejohn LLP  
Statutory auditor  
1 Westferry Circus, Canary Wharf  
London, E14 4HD

26 June 2017

## ICP CAPITAL LIMITED

### Income Statement for the year ended 31 December 2016

	Note	2016	2015
		£000	£000
<b>TECHNICAL ACCOUNT - GENERAL BUSINESS</b>			
<b>Premiums written</b>			
Gross premiums written	5	88,442	78,665
Outward reinsurance premiums		(79,723)	(214,849)
<b>Net premiums written</b>		<b>8,719</b>	<b>(136,184)</b>
Change in the gross provision for unearned premiums	6	(1,812)	(1,005)
Change in the provision for unearned premiums, reinsurers' share	6	1,158	25,754
<b>Net change in the provision for unearned premiums</b>	6	<b>(654)</b>	<b>24,749</b>
<b>Earned premiums net of reinsurance</b>		<b>8,065</b>	<b>(111,435)</b>
Allocated investment return transferred from the non-technical account	8	1,572	755
<b>Total technical income</b>		<b>9,637</b>	<b>(110,680)</b>
<b>Claims paid:</b>			
Gross amount		(41,390)	(38,731)
Reinsurers' share		37,162	48,289
<b>Net claims paid</b>		<b>(4,228)</b>	<b>9,558</b>
<b>Change in the provision for claims:</b>			
Gross amount	6	(13,385)	2,073
Reinsurers' share	6	13,006	70,430
<b>Change in the net provision for claims</b>	6	<b>(379)</b>	<b>72,503</b>
<b>Claims incurred, net of reinsurance</b>		<b>(4,607)</b>	<b>82,061</b>
Other changes in technical provisions		(260)	495
<b>Net operating expenses</b>	5, 7	<b>(4,770)</b>	<b>28,124</b>
<b>Balance on the general business technical account transferred to the non-technical account</b>		<b>-</b>	<b>-</b>

The Notes are an integral part of these Financial Statements.

# ICP CAPITAL LIMITED

## Income Statement for the year ended 31 December 2016 (continued)

	Note	2016 £000	2015 £000
<b>NON TECHNICAL ACCOUNT</b>			
Balance on the general business technical account		-	-
Investment income	8	2,124	1,906
Unrealised gains on investments	8	1,695	233
Investment expenses and charges	8	(619)	(591)
Unrealised losses on investments	8	(1,628)	(793)
Allocated investment return transferred to the general business technical account	8	(1,572)	(755)
Other income	9	909	819
Profit on sale of syndicate capacity	16	380	102
Other charges	10	(1,016)	(303)
<b>Profit/(loss) before taxation</b>	11	273	618
<b>Tax credit on profit/(loss)</b>	14	111	36
<b>Profit/(loss) for the year</b>	21	384	654

## Statement of Comprehensive Income

	2016 £000	2015 £000
<b>Profit/(loss) for the financial year</b>	384	654
Other comprehensive income:		
Currency translation differences	826	339
Prior year adjustment	-	9
Reinsurance and FAL charge	(826)	(348)
<b>Total comprehensive income for the financial year</b>	384	654

All amounts relate to continuing operations.

The Notes are an integral part of these Financial Statements.

**ICP CAPITAL LIMITED**
**Statement of Financial Position as at 31 December 2016**

		2016			2015		
	Note	Syndicate £000	Corporate £000	Total £000	Syndicate £000	Corporate £000	Total £000
<b>ASSETS</b>							
INTANGIBLE ASSETS	16	-	3,458	3,458	-	3,919	3,919
<b>INVESTMENTS</b>							
Other financial investments	17	110,558	-	110,558	99,406	-	99,406
<b>REINSURERS' SHARE OF TECHNICAL PROVISIONS</b>							
Claims outstanding	6	34,829	79,415	114,244	24,295	75,099	99,394
Provision for unearned premiums	6	6,758	28,829	35,587	5,270	28,439	33,709
Other		198	-	198	495	-	495
		<u>41,785</u>	<u>108,244</u>	<u>150,029</u>	<u>30,060</u>	<u>103,538</u>	<u>133,598</u>
<b>DEBTORS</b>							
Debtors arising out of direct insurance operations		20,751	-	20,751	19,315	-	19,315
Debtors arising out of reinsurance operations		11,075	-	11,075	15,004	-	15,004
Other debtors	18	6,838	13	6,851	6,387	13	6,400
		<u>38,664</u>	<u>13</u>	<u>38,677</u>	<u>40,706</u>	<u>13</u>	<u>40,719</u>
<b>DEBTORS DUE AFTER ONE YEAR</b>							
Debtors arising out of direct insurance operations		529	-	529	222	-	222
Debtors arising out of reinsurance operations		5,101	-	5,101	1,687	-	1,687
Other debtors		749	-	749	1,242	-	1,242
		<u>6,379</u>	<u>-</u>	<u>6,379</u>	<u>3,151</u>	<u>-</u>	<u>3,151</u>
<b>OTHER ASSETS</b>							
Cash at bank and in hand		7,797	3,368	11,165	4,913	1,692	6,605
Funds at Lloyd's	19	-	11,022	11,022	-	10,707	10,707
		<u>7,797</u>	<u>14,390</u>	<u>22,187</u>	<u>4,913</u>	<u>12,399</u>	<u>17,312</u>
<b>PREPAYMENTS AND ACCRUED INCOME</b>							
Deferred acquisition costs	6	10,968	-	10,968	9,033	-	9,033
Other prepayments and accrued income		758	737	1,495	617	819	1,436
		<u>11,726</u>	<u>737</u>	<u>12,463</u>	<u>9,650</u>	<u>819</u>	<u>10,469</u>
<b>TOTAL ASSETS</b>		<u>216,909</u>	<u>126,842</u>	<u>343,751</u>	<u>187,886</u>	<u>120,688</u>	<u>308,574</u>

The Notes are an integral part of these Financial Statements.

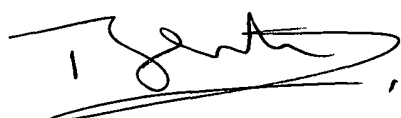
# ICP CAPITAL LIMITED

(Registered Number: 5484332)

## Statement of Financial Position as at 31 December 2016 (continued)

		2016			2015		
	Note	Syndicate £000	Corporate £000	Total £000	Syndicate £000	Corporate £000	Total £000
<b>LIABILITIES AND SHAREHOLDERS EQUITY</b>							
<b>CAPITAL AND RESERVES</b>							
Called up share capital	20	-	1	1	-	1	1
Profit and loss account	21	7,133	(5,975)	1,158	13,337	(12,563)	774
Total Shareholder's Equity		<u>7,133</u>	<u>(5,974)</u>	<u>1,159</u>	<u>13,337</u>	<u>(12,562)</u>	<u>775</u>
<b>TECHNICAL PROVISIONS</b>							
Claims outstanding	6	140,076	-	140,076	115,998	-	115,998
Provision for unearned premiums	6	43,135	-	43,135	37,124	-	37,124
		<u>183,211</u>	<u>-</u>	<u>183,211</u>	<u>153,122</u>	<u>-</u>	<u>153,122</u>
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>							
	22	<u>-</u>	<u>882</u>	<u>882</u>	<u>-</u>	<u>993</u>	<u>993</u>
<b>CREDITORS</b>							
Creditors arising out of direct insurance operations		2,996	-	2,996	3,205	-	3,205
Creditors arising out of reinsurance operations	23	8,824	112,191	121,015	8,011	109,724	117,735
Other creditors including taxation and social security	24	10,046	18,360	28,406	7,228	20,532	27,760
		<u>21,866</u>	<u>130,551</u>	<u>152,417</u>	<u>18,444</u>	<u>130,256</u>	<u>148,700</u>
<b>CREDITORS FALLING DUE AFTER MORE THAN ONE YEAR</b>							
Creditors arising out of direct insurance operations		58	-	58	64	-	64
Creditors arising out of reinsurance operations		1,855	-	1,855	725	-	725
Other creditors		852	-	852	899	-	899
		<u>2,765</u>	<u>-</u>	<u>2,765</u>	<u>1,688</u>	<u>-</u>	<u>1,688</u>
<b>ACCRUALS AND DEFERRED INCOME</b>							
		<u>1,934</u>	<u>1,383</u>	<u>3,317</u>	<u>1,295</u>	<u>2,001</u>	<u>3,296</u>
<b>TOTAL LIABILITIES</b>		<u>209,776</u>	<u>132,816</u>	<u>342,592</u>	<u>174,549</u>	<u>133,250</u>	<u>307,799</u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS EQUITY</b>		<u>216,909</u>	<u>126,842</u>	<u>343,751</u>	<u>187,886</u>	<u>120,688</u>	<u>308,574</u>

The Financial Statements were approved and authorised for issue by the Board of Directors on 26 June 2017 and signed on its behalf by:



T Shenton  
Director

The Notes are an integral part of these Financial Statements.

**ICP CAPITAL LIMITED**

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**Statement of Changes in Shareholders' Equity as at 31 December 2016**

	Note	Called up share capital £000	Share premium account £000	Profit and loss account £000	Total £000
At 1 January 2015		1	-	120	121
Total comprehensive income		-	-	654	654
Dividends paid	15	-	-	-	-
Proceeds from issue of shares		-	-	-	-
At 31 December 2015		1	-	774	775
At 1 January 2016		1	-	774	775
Total comprehensive income		-	-	384	384
Dividends paid	15	-	-	-	-
Proceeds from issue of shares		-	-	-	-
At 31 December 2016		1	-	1,158	1,159

The Notes are an integral part of these Financial Statements.

**Notes to the Financial Statements for the year ended 31 December 2016**

**1. General Information**

The Company is a private company limited by shares that was incorporated in England and Wales and whose registered office is given on the Company information page of these Financial Statements. The Company participates in insurance business as an underwriting member of various syndicates at Lloyd's.

**2. Accounting policies**

**Basis of Preparation**

These Financial Statements have been prepared in accordance with United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", FRS 103 "Insurance Contracts", the Companies Act 2006 and Schedule 3 of the Large and Medium sized Companies and Groups (Accounts and Reports) Regulations, relating to insurance.

**Transition to FRS 102 and FRS 103**

The Financial Statements for the year ended 31 December 2015 were the first Financial Statements that complied with FRS 102 and FRS 103. The date of transition was 1 January 2014 and the comparative figures in the 2015 Financial Statements were restated accordingly. The transition resulted in a small number of changes in accounting policies to those used previously.

**Financial Reporting Standard 102 – reduced disclosure exemptions**

The Company has taken advantage of the following disclosure exemptions in preparing these Financial Statements, as permitted by FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- From preparing a statement of cash flows, based on the requirements of Section 7 Statement of Cash Flows;
- From disclosing related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transactions is wholly owned by such a member, as required by Section 33 Related Party Disclosures - paragraph 33.1A.
- From disclosing key management personnel compensation in total, as required by Section 33 Related Party Disclosures – paragraph 33.7.

The Company is a subsidiary of ICP Holdings Limited, a company incorporated in England and Wales. Consolidated Financial Statements of ICP Holdings Limited can be obtained from:

Unit A21, Jack's Place  
6 Corbet Place  
London, E1 6NN

**Going concern**

The Company participates as an underwriting member of Lloyd's. Its underwriting is supported by Funds at Lloyd's, either made available by the Company directly or through FAL agreements and reinsurance contracts, as described in the Strategic Report. The Directors are of the opinion that the Company has adequate resources to meet its underwriting and other operational obligations for the foreseeable future. Accordingly, the going concern concept has been adopted in the preparation of the Financial Statements.

**Basis of accounting**

The Financial Statements are prepared under the historical cost basis of accounting modified to include the revaluation of certain financial instruments held at fair value through profit or loss.



Notes to the Financial Statements for the year ended 31 December 2016 (continued)

**2. Accounting policies (continued)**

**Basis of accounting (continued)**

The Financial Statements are prepared using the annual basis of accounting. Under the annual basis of accounting a result is determined at the end of each accounting period, reflecting the profit or loss from providing insurance coverage during that period and any adjustments to the profit or loss of providing insurance cover during earlier accounting periods.

Amounts reported in the general business technical account relate to movements in the period in respect of all relevant years of account of the syndicates in which the Company participates.

For each of the Company's financial years, the balance on the general business technical account to be transferred to the non-technical account is £Nil, because the underwriting result is transferred out to related and other third parties based on FAL Agreements and Reinsurance Agreements.

Assets and liabilities arising as a result of the underwriting activities are mainly controlled by the syndicates' managing agents. Accordingly, these assets and liabilities have been shown separately in the Statement of Financial Position as "Syndicate participation". Other assets and liabilities are shown as "Corporate". The syndicate assets are held subject to trust deeds for the benefit of the syndicates' insurance creditors.

The information included in these Financial Statements in respect of the syndicates has been supplied by managing agents based upon the various accounting policies they have adopted. The following describes the policies they have adopted:

**General business**

**(a) (i) Premiums**

Premiums written comprise the total premiums receivable for the whole period of cover provided by the contracts incepting during the financial year, together with any adjustments arising in the year to such premiums receivable in respect of business written in prior years. Premiums are shown gross of commission payable to intermediaries and exclude insurance premium tax.

Gross premiums written may include "reinsurance to close" receivable (see (g) below).

Premiums written by a syndicate may also include the reinsurance of other syndicates on which the company participates. No adjustments have been made to gross premiums written or outward reinsurance premiums (or to gross and reinsurers' claims) to remove this inter syndicate reinsurance.

**(ii) Reinsurance Premiums**

Managing agents enter into reinsurance contracts on behalf of the syndicates, in the normal course of business, in order to limit the potential losses arising from certain exposures. Reinsurance premium costs are allocated by the managing agent of each syndicate to reflect the protection arranged in respect of the business written and earned.

Outward reinsurance premiums may include "reinsurance to close" payable (see (g) below).

**(b) Unearned premiums provisions**

The provision for unearned premium comprises the proportion of gross premiums written, which is estimated to be earned in the following or subsequent financial year, having regard, where appropriate to the incidence of risk. The specific basis adopted by each individual syndicate is determined by the relevant managing agency.

**(c) Deferred acquisition costs**

Acquisition costs, which represent commission and other related expenses, are deferred over the period in which the related premiums are earned.

Notes to the Financial Statements for the year ended 31 December 2016 (continued)

2. Accounting Policies (continued)

(d) **Claims incurred**

Claims incurred include the costs of claims handling expenses. Recoverable amounts arising out of subrogations or salvage are deducted from the cost of claims. Claims incurred comprise amounts paid or provided in respect of claims occurring during the period to 31 December, together with the amount by which settlement or reassessment of claims from previous years differs from the provision at the beginning of the year.

(e) **Provision for claims**

Provision is made for claims incurred but not paid in respect of events up to 31 December. The provision has been increased as appropriate by the company to the extent that deficits are foreseen on unexpired risks.

The provision is based on the Returns and reports from the Managing Agents, which are reviewed by the Group's syndicate analysis team and when appropriate, statistical methods have been applied to past experience of claims frequency and severity.

Adjustments to the amounts of provisions are reflected in the accounts for the period in which the adjustments are made. The methods used to assess provisions, and the provisions made, are regularly reviewed.

The reinsurers' share of provisions for claims is based on calculated amounts of outstanding claims and projections for IBNR, net of estimated irrecoverable amounts, having regard to each syndicate's reinsurance programme in place for the class of business, the claims experienced for the year and the current security rating of the reinsurance companies involved. Each syndicate uses a number of statistical techniques to assist in making these estimates.

(f) **Unexpired risk reserve**

Provision is made for unexpired risks where the expected value of the claims and expenses attributable to the unexpired periods of policies in force at the financial reporting date exceeds the unearned premiums provision, net of deferred acquisition costs. The assessment of whether a provision is necessary is made using information supplied by the relevant managing agents.

(g) **Reinsurance to close**

A reinsurance to close is a particular type of reinsurance contract entered into by Lloyd's syndicates. Under it, underwriting members (the reinsured members) who are members of a syndicate for a year of account (the closed year), agree with underwriting members who comprise that or another syndicate for a later year of account (the reinsuring members) that the reinsuring members will indemnify, discharge or procure the discharge, of the reinsured members against all known and unknown liabilities of the reinsured members arising out of insurance business undertaken through that syndicate and allocated to the closed year in consideration of:

(a) a premium; and

(b) either

(i) the assignment, or agreement to assign, to the reinsuring members of all the rights of the reinsured members arising out of, or in connection with, that insurance business (including without limitation the right to receive all future premiums, reinsurance and other monies receivable in connection with that insurance business); or

(ii) an agreement by the reinsured members that the reinsuring members shall collect on behalf of the reinsured members the proceeds of all such rights and retain them for their own benefits so far as they are not applied in discharge of the liabilities of the reinsured members.

Notes to the Financial Statements for the year ended 31 December 2016 (continued)

2. Accounting Policies (continued)

(g) **Reinsurance to close (continued)**

Where the reinsurance to close is between members on successive years of account of the same syndicate, the managing agent has a duty to ensure both sets of members are treated equitably and to set reinsurance to close with the intention that neither a profit nor a loss accrues to either group of members.

To the extent that the company participates on successive years of account of the same syndicate and there is a reinsurance to close between those years, the company has offset its share of the reinsurance to close received against its share of the reinsurance to close paid.

If the company has increased its participations from one year of account to the next, the reinsurance to close paid is eliminated, as a result of this offset, leaving an element of the reinsurance to close received. This reflects the fact that the company has assumed a greater proportion of the business of the syndicate. If the company has reduced its participation from one year of account to the next, the reinsurance to close received is eliminated, leaving an element of the reinsurance to close paid. This reflects the reduction in the company's exposure to risks previously written by the syndicate.

The reinsurance to close is technically a reinsurance contract and, as such, the payment of a reinsurance to close does not remove from members of that year of account ultimate responsibility for claims payable on risks they have written. If the reinsuring members under the reinsurance to close become insolvent and the other elements of the Lloyd's chain of security also fail, the reinsured members remain theoretically liable for the settlement of any outstanding claims.

However, payment of a reinsurance to close is conventionally accepted as terminating a reinsured member's participation on a syndicate year of account and it is treated for account purposes as settling all the company's outstanding gross liabilities in respect of the business so reinsured.

(h) **Distribution of syndicate profits and collection of losses**

Lloyd's operates a detailed set of regulations regarding solvency and the distribution of profits and payment of losses between syndicates and their members. Lloyd's continues to require membership of syndicates to be on an underwriting year of account basis and profits and losses belong to members according to their membership of a year of account. Normally profits and losses are transferred between the syndicate and members after results for a year of account are finalised after 36 months. This period may be extended if a year of account goes into run-off. The syndicate may make earlier on account distributions or cash calls according to the cash flow of a particular year of account and subject to Lloyd's requirements.

(i) **Financial assets and financial liabilities**

Classification

The accounting classification of financial assets and liabilities determines their basis of measurement and how changes in those values are presented in the Income Statement and Other Comprehensive Income. These classifications are made at initial recognition and subsequent classification is only permitted in restricted circumstances.

The syndicate's investments comprise of debt and equity investments, derivatives, cash and cash equivalents and loans and receivables. Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the syndicate after deducting all of its liabilities.

Recognition

Financial assets and liabilities are recognised when the syndicate becomes party to the contractual provisions of the instrument.

Notes to the Financial Statements for the year ended 31 December 2016 (continued)

2. Accounting Policies (continued)

(i) Financial investments and assets (continued)

Initial measurement

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a finance transaction, the financial asset or liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Subsequent measurement

Non-current debt instruments are subsequently measured at amortised cost using the effective interest method.

Debt instruments that are classified as payable or receivable within one financial year and which meet the above conditions are measured at the undiscounted amount of the cash or other consideration expected to be paid or received.

Other debt instruments are measured at fair value through the profit or loss.

Derecognition of financial assets and liabilities

Financial assets are derecognised when and only when a) the contractual rights to the cash flow from the financial asset expire or are settled, b) the syndicates transfer to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the syndicates, despite having retained some significant risks and rewards of ownership, have transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

Fair value measurement

The best evidence of fair value is a quoted price for an identical asset or liability in an active market that the entity can access at the measurement date.

When quoted prices are unavailable, observable inputs developed using market data for the asset or liability, either directly or indirectly, are used to determine fair value.

If the market for the asset is not active and there are no observable inputs, then the syndicate estimates the fair value by using unobservable inputs, i.e. where market data is unavailable.

Impairment of financial instruments measured at amortised cost or cost

For financial assets carried at amortised cost, the amount of an impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate, i.e. using the effective interest method.

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised. The amount of the reversal is recognised in the income statement immediately.

Notes to the Financial Statements for the year ended 31 December 2016 (continued)

2. Accounting Policies (continued)

(i) Financial investments and assets (continued)

Offsetting

Debtors/creditors arising from insurance/reinsurance operations shown in the Statement of Financial Position include the totals of all the syndicate's outstanding debit and credit transactions as processed by the Lloyd's central facility. No account has been taken of any offsets which may be applicable in calculating the net amounts due between the syndicates and each of their counterparty insureds, reinsurers or intermediaries as appropriate.

(j) Investment return

Investment return comprises all investment income, realised investment gains and losses, movements in unrealised gains and losses, net of investment expenses and charges.

Realised and unrealised gains and losses are measured by reference to the original cost of the investment if purchased in the year, or if held at the beginning of the year by reference to the fair value at that date.

Investment return is initially recorded in the non-technical account. A transfer is made from the non-technical account to the general business technical account to reflect the investment return on funds supporting the underwriting business.

**Reinsurance at corporate level**

Where considered applicable by the Directors, the Company may purchase additional reinsurance to that purchased through the syndicates. Any such reinsurance premiums and related reinsurance recoveries are treated in the same manner as described for syndicates in Note 2 (a), (b), (d) and (e) above.

The Company has entered into a whole account quota share Reinsurance Contract for each of the 2013, 2014, 2015 and 2016 years of account and continued into the 2017 year of account, with ICP Reinsurance Ltd, a related party.

**Intangible assets: Syndicate capacity**

Syndicate capacity is an intangible asset which represents costs incurred in the Corporation of Lloyd's auctions, in order to participate on syndicates' years of account.

These costs incurred by the Company to acquire rights to participate on syndicates' underwriting years are included within intangible assets and amortised over a 20 year period from 1 January 2008 or from the date of acquisition if later.

The carrying value of participation rights may be reduced if, at any time, the Directors become aware of a permanent diminution in the value of those rights, having regard to auction prices or other factors. Hence, the intangible assets are reviewed for impairment where there are indicators for impairment, and any impairment is charged to the Income Statement for the period.

**Investments and investment returns, at corporate level**

The investments and investment return at corporate level, as and when these occur, follow the accountancy policies, as described in 2(i) and (j) above.

Listed and other traded investments are stated at mid-market values. Other investments are stated at Directors' valuations. Unrealised gains and losses are recognised in the profit and loss account.

**Investment expenses and charges**

Investment expenses and charges comprise investment management expenses and losses on the realisation of investments. Realised losses arise from the difference between proceeds and valuation at the previous year end, or cost if there have been no previous revaluations. The realised losses reported by syndicates are net of any realised gains.

**Notes to the Financial Statements for the year ended 31 December 2016 (continued)**

**2. Accounting Policies (continued)**

**Net operating expenses**

Operating expenses are recognised when incurred. They include the company's share of syndicate operating expenses, the remuneration payable to Managing Agents (and the company's Members' Agent) and the direct costs of membership of Lloyd's. Where they relate to the Company's underwriting, they are charged to the accounts in relation to the earning patterns of profits and premiums. Reinsurance costs and letter of credit charges in relation to the company's Funds at Lloyd's are charged to the technical account.

**Other charges**

Expenses not attributable to underwriting or investment management are recognised when incurred.

**Basis of currency translation**

The presentation and functional currency of the Company is Pound Sterling, which is the currency of the primary economic environment in which it operates. Supported syndicates may have different functional currencies.

Income and expenditure in US dollars, Canadian dollars and Euros is translated at the average rate of exchange for the year. Underwriting transactions denominated in other foreign currencies are included at the rate of exchange ruling at the date the transaction is processed.

Monetary assets and liabilities, which according to FRS 103 are deemed to include unearned premiums and deferred acquisition costs, are translated into Pound Sterling at the rates of exchange at the financial reporting date.

Any non-monetary items are translated into the functional currency using the rate of exchange prevailing at the time of the transaction.

Differences arising on translation to the functional currency of the syndicates where the functional currency was not Pound Sterling are reported in Other Comprehensive Income. All other exchange differences are reported within the Income Statements Non-Technical Account (or the Technical Account in respect of Life syndicates).

**Debtors/Creditors arising from insurance and reinsurance operations**

The amounts shown in the Statement of Financial Position include the totals of all the syndicates' outstanding debit and credit transactions. No account has been taken of any offsets which may be applicable in calculating the net amounts due between the syndicates and each of their counterparty insureds, reinsurers or intermediaries as appropriate.

**Taxation**

The Company is taxed on its results including its share of underwriting results declared by the syndicates. These are deemed to accrue evenly over the calendar year in which they are declared. The syndicate results included in these Financial Statements are only declared for tax purposes in the calendar year following the normal closure of the year of account. No provision is made for corporation tax in relation to open years of account. However, full provision is made for deferred tax on underwriting results not subject to current corporation tax.

HM Revenue & Customs agrees the taxable results of the syndicates at a syndicate level on the basis of computations submitted by the managing agent. At the date of the approval of these Financial Statements the syndicate taxable results of years of account closed at this and at previous year ends may not have been fully agreed with HM Revenue & Customs. Any adjustments that may be necessary to the tax provisions established by the Company, as a result of HM Revenue & Customs agreement of syndicate results, will be reflected in the Financial Statements of subsequent periods.

Notes to the Financial Statements for the year ended 31 December 2016 (continued)

**2. Accounting Policies (continued)**

**Deferred taxation**

Deferred tax is provided in full on timing differences which result in an obligation at the financial reporting date to pay more tax, or a right to pay less tax, at a future date at rates expected to apply when they crystallise, based on current tax rates and law.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered.

Deferred tax assets and liabilities have not been discounted.

**Cash and cash equivalents**

Cash and cash equivalents include deposits held at call with banks, other short-term liquid investments with original maturities of three months or less and cash in hand.

**Share Capital**

Ordinary share capital is classified as equity.

**Dividend distributions to shareholders**

Dividend distributions to the Company's shareholders are recognised in the Financial Statements in the period in which the dividends are approved by the shareholders. These amounts are recognised in the Statement of Changes in Shareholders' Equity.

**3. Key accounting judgements and estimation uncertainties**

In applying the Company's accounting policies, the Directors are required to make judgements, estimates and assumptions in determining the carrying amounts of assets and liabilities. These judgements, estimates and assumptions are based on the best and most reliable evidence available at the time when the decisions are made, and are based on historical experience and other factors that are considered to be applicable. Due to the inherent subjectivity involved in making such judgements, estimates and assumptions, the actual results and outcomes may differ. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The measurement of the provision for claims outstanding is the most significant judgement involving estimation uncertainty regarding amounts recognised in these Financial Statements in relation to underwriting by the syndicates and this is disclosed further in Note 4.

The management and control of each Syndicate is carried out by the managing agent of that Syndicate, and the Company looks to the managing agent to implement appropriate policies, procedures and internal controls to manage each Syndicate.

The key accounting judgements and sources of estimation uncertainty set out below therefore relate to those made in respect of the Company only, and do not include estimates and judgements made in respect of the Syndicates.

**Purchased syndicate capacity:**

Estimating value in use:

Where an indication of impairment of capacity values exists, the Directors will carry out an impairment review to determine the recoverable amount, which is the higher of fair value less cost to sell and value in use. The value in use calculation requires an estimate of the future cash flows expected to arise from the capacity and a suitable discount rate in order to calculate present value.

Determining the useful life of purchased syndicate capacity:

The assessed useful life of syndicate capacity is twenty years. This is on the basis, as is the opinion of the Company's Directors, that this is the life over which the original value of the capacity acquired is used up.

## Notes to the Financial Statements for the year ended 31 December 2016 (continued)

**Assessing indicators of impairment:**

In assessing whether there have been any indicators of impairment assets, the Directors consider both external and internal sources of information such as market conditions, counterparty credit ratings and experience of recoverability. There have been no indicators of impairments identified during the current financial year.

**Recoverability of receivables:**

The Company establishes a provision for receivables that are estimated not to be recoverable. When assessing recoverability, factors such as the aging of the receivables, past experience of recoverability, and the credit profile of individual or groups of customers are all considered.

**Performance fees:**

Performance fees arise when there is a reasonable degree of certainty that they are recoverable. Performance fees on open years of account are estimated based on forecasts provided by the syndicates. Forecasts provided by the syndicates will include an estimation of provisions for claims outstanding which carries uncertainty as referred to above and in Note 4.

The accrued net performance fees are:

	2016	2015
2015 YOA	-	-
2014 YOA	441,951	3,797
2013 YOA	-	370,636

**4. Risk Management**

This section summarises the financial and insurance risks the Company is exposed to either directly at its own corporate level or indirectly via its participation in the Lloyd's syndicates.

**Risk background**

The syndicate's activities expose it to a variety of financial and non-financial risks. The managing agent is responsible for managing the syndicate's exposure to these risks and, where possible, introducing controls and procedures that mitigate the effects of the exposure to risk. Each year, the managing agent prepares a Lloyd's Capital Return ("LCR") for the syndicate, the purpose of this being to agree capital requirements with Lloyd's based on an agreed assessment of the risks impacting the syndicate's business, and the measures in place to manage and mitigate those risks from a quantitative and qualitative perspective. The risks described below are typically reflected in the LCR, and, typically, the majority of the total assessed value of the risks concerned is attributable to insurance risk.

The insurance risks faced by a syndicate include the occurrence of catastrophic events, downward pressure on pricing of risks, reductions in business volumes and the risk of inadequate reserving. Reinsurance risks arise from the risk that a reinsurer fails to meet their share of a claim. The management of the syndicate's funds is exposed to risks of investment, liquidity, currency and interest rates leading to financial loss. The syndicate is also exposed to regulatory and operational risks including its ability to continue to trade. However, supervision by Lloyd's provides additional controls over the syndicate's management of risks.

The Company manages the risks faced by the syndicates on which it participates by monitoring the performance of the syndicates it supports. This commences in advance of committing to support a syndicate for the following year, with a review of the business plan prepared for each syndicate by its managing agent. In addition, quarterly reports and annual accounts together with any other information made available by the managing agent are monitored and if necessary enquired into. If the Company considers that the risks being run by the syndicate are excessive it will seek confirmation from the managing agent that adequate management of the risk is in place and, if considered appropriate will withdraw support from the next underwriting year. The Company relies on advice provided by the members' agent which acts for it, who are specialists in assessing the performance and risk profiles of syndicates. The Company also mitigates its insurance risks by participating across several syndicates as detailed in Note 16.



## Notes to the Financial Statements for the year ended 31 December 2016 (continued)

## 4. Risk Management (continued)

## Impact of Brexit Vote:

The Brexit vote will have an impact on various risk factors, including currency risks. The Lloyd's market is in the process of developing a strategy for dealing with Brexit and the Company will monitor these developments and identify whether it needs to modify its participation in the Lloyd's market.

The analysis below provides details of the financial risks the Company is exposed to from syndicate insurance activities and at corporate Company level, as required by FRS 103.

## Syndicate risks

## i. Liquidity risk

The syndicates are exposed to daily calls on their available cash resources, principally from claims arising from its insurance business. Liquidity risk arises where cash may not be available to pay obligation when due, or to ensure compliance with the syndicate's obligations under the various trust deeds to which it is party.

The syndicates aim to manage their liquidity position so that they can fund claims arising from significant catastrophic events, as modelled in their Lloyd's realistic disaster scenarios ("RDS").

Although there are usually no stated maturities for claims outstanding, syndicates have provided their expected maturity of future claims settlements as follows:

2016	No stated maturity £000	0-1 year £000	1-3 year £000	3-5 years £000	>5 years £000	Total £000
Claims outstanding	-	45,287	49,599	23,472	21,718	140,076

2015	No stated maturity £000	0-1 year £000	1-3 year £000	3-5 years £000	>5 years £000	Total £000
Claims outstanding	-	37,502	39,335	21,026	18,135	115,998

## ii. Credit risk

Credit ratings to syndicate assets emerging directly from insurance activities which are neither past due nor impaired are as follows:

2016	AAA £000	AA £000	A £000	BBB or lower £000	Not rated £000	Total £000
Financial investments	33,587	32,959	27,888	8,320	7,792	110,546
Deposits with ceding undertakings	-	-	-	-	12	12
Reinsurers share of claims outstanding	864	5,830	26,190	437	1,504	34,825
Reinsurance debtors	313	154	589	50	13,441	14,547
Cash at bank and in hand	2	(340)	6,541	1,590	4	7,797
	34,766	38,603	61,208	10,397	22,753	167,727

# ICP CAPITAL LIMITED

## Notes to the Financial Statements for the year ended 31 December 2016 (continued)

### 4. Risk Management (continued)

2015	AAA	AA	A	BBB or lower	Not rated	Total
	£000	£000	£000	£000	£000	£000
Financial investments	29,883	32,298	23,189	7,610	6,416	99,396
Deposits with ceding undertakings	-	-	-	-	10	10
Reinsurers share of claims outstanding	713	5,994	16,667	199	779	24,352
Reinsurance debtors	101	571	6,382	23	7,591	14,668
Cash at bank and in hand	448	109	3,571	556	229	4,913
	31,145	38,972	49,809	8,388	15,025	143,339

Syndicate assets emerging directly from insurance activities past their due date or impaired are as follows:

2016	Neither past due nor impaired	Past due but not impaired				Impaired	Total
		Less than 3 months	Between 3 and 6 months	Between 6 months and 1 year	Greater than 1 year		
	£000	£000	£000	£000	£000	£000	£000
Financial investments	110,546	-	-	-	-	-	110,546
Deposits with ceding undertakings	12	-	-	-	-	-	12
Reinsurers share of claims outstanding	34,825	4	-	-	-	-	34,829
Reinsurance debtors	1,189	377	18	3	41	-	1,628
Cash at bank and in hand	7,797	-	-	-	-	-	7,797
	154,369	381	18	3	41	-	154,812

2015	Neither past due nor impaired	Past due but not impaired				Impaired	Total
		Less than 3 months	Between 3 and 6 months	Between 6 months and 1 year	Greater than 1 year		
	£000	£000	£000	£000	£000	£000	£000
Financial investments	99,396	-	-	-	-	-	99,396
Deposits with ceding undertakings	10	-	-	-	-	-	10
Reinsurers share of claims outstanding	24,352	4	1	-	-	(62)	24,295
Reinsurance debtors	7,126	1,872	80	40	33	(2)	9,149
Cash at bank and in hand	4,913	-	-	-	-	-	4,913
	135,797	1,876	81	40	33	(64)	137,763

#### i. Interest rate and equity price risk

Interest rate risk and equity price risk is the risk that the fair value of future cash flows of financial instruments will fluctuate because of changes in market interest rates and market prices, respectively.

#### ii. Currency risk

The syndicates' main exposure to foreign currency risk arises from insurance business originating overseas, primarily denominated in US dollars. Transactions denominated in US dollars form a significant part of the syndicates' operations. This risk is, in part, mitigated by the syndicates maintaining financial assets denominated in US dollars against its major exposures in that currency.

## ICP CAPITAL LIMITED

### Notes to the Financial Statements for the year ended 31 December 2016 (continued)

#### 4. Risk Management (continued)

The table below provides details of syndicate assets and liabilities by currency:

2016	GBP £000 converted	USD £000 converted	EUR £000 converted	CAD £000 converted	Other £000 converted	Total £000 converted
Total assets	58,100	111,311	13,733	21,013	12,752	216,909
Total liabilities	(74,782)	(97,503)	(12,625)	(13,586)	(11,280)	(209,776)
Surplus/(deficiency) of assets	(16,682)	13,808	1,108	7,427	1,472	7,133

2015	GBP £000 converted	USD £000 converted	EUR £000 converted	CAD £000 converted	Other £000 converted	Total £000 converted
Total assets	59,695	95,489	10,682	13,244	8,776	187,886
Total liabilities	(67,227)	(81,872)	(10,319)	(8,069)	(7,062)	(174,549)
Surplus/(deficiency) of assets	(7,532)	13,617	363	5,175	1,714	13,337

#### Company risks

##### i. Investment, credit, liquidity and currency risks

The significant risks faced by the Company are with regard to the investment of the available funds within its own custody. The elements of these risks are investment risk, credit risk, liquidity risk, currency risk and interest rate risk. The main liquidity risk would arise if a syndicate had inadequate liquid resources for a large claim and sought funds from the Company to meet the claim. In order to minimise investment, credit and liquidity risk the Company's funds are invested in readily realisable short term deposits. The syndicates can distribute their results in Pound Sterling, US Dollars or a combination of the two. The Company is exposed to movements in the US Dollar between the financial reporting date and the distribution of the underwriting profits and losses, which is usually in the May following the closure of a year of account.

The Company does not usually use derivative instruments to manage risk and, as such, no hedge accounting is applied. However, during the year ended 31 December 2016 a foreign exchange forward derivative contract was used and as at the yearend it had an open position at a loss of £480,361.

##### ii. Regulatory risks

The Company is subject to continuing approval by Lloyd's to be a member of a Lloyd's syndicate. The risk of this approval being removed is mitigated by monitoring and fully complying with all requirements in relation to membership of Lloyd's. The capital requirements to support the proposed amount of syndicate capacity for future years are subject to the requirements of Lloyd's. A variety of factors are taken into account by Lloyd's in setting these requirements including market conditions and syndicate performance and although the process is intended to be fair and reasonable, the requirements can fluctuate from one year to the next, which may constrain the volume of underwriting the Company is able to support.

##### iii. Operational risks

As there are relatively few transactions actually undertaken by the Company there are only limited systems and operational requirements of the Company and therefore operational risks are not considered to be significant. Close involvement of all Directors in the Company's key decision making and the fact that the majority of the Company's operations are conducted by syndicates, provides control over any remaining operational risks.

# ICP CAPITAL LIMITED

## Notes to the Financial Statements for the year ended 31 December 2016 (continued)

### 5. Segmental Information

The business shown in the segmental information has all been underwritten in the Lloyd's insurance market. It has been treated as one geographical segment.

#### 31 December 2016 analysis by class of business

	<b>Total Gross premiums written £000</b>	<b>Gross premiums earned £000</b>	<b>Gross claims incurred £000</b>	<b>Net operating expenses £000</b>	<b>Reinsurance balance £000</b>	<b>Total £000</b>
Accident and health	4,184	4,089	(2,282)	(304)	(1,480)	23
Motor – third party liability	457	470	(290)	(26)	(83)	71
Motor – other classes	11,066	10,520	(11,226)	(540)	50,112	48,866
Marine, aviation and transport	7,058	7,361	(3,959)	(471)	(3,726)	(795)
Fire and other damage to property	24,261	23,992	(11,985)	(1,325)	(53,073)	(42,391)
Third party liability	22,528	20,440	(16,923)	(1,244)	44,674	46,947
Other	1,793	1,839	(1,144)	(89)	(2,428)	(1,822)
Reinsurance	17,095	17,919	(6,966)	(771)	(62,653)	(52,471)
<b>Total</b>	<b>88,442</b>	<b>86,630</b>	<b>(54,775)</b>	<b>(4,770)</b>	<b>(28,657)</b>	<b>(1,572)</b>

#### 31 December 2015 analysis by class of business

	<b>Total Gross premiums written £000</b>	<b>Gross premiums earned £000</b>	<b>Gross claims incurred £000</b>	<b>Net operating expenses £000</b>	<b>Reinsurance balance £000</b>	<b>Total £000</b>
Accident and health	3,558	3,561	(1,817)	1,708	(1,241)	2,211
Motor – third party liability	482	383	(258)	146	403	674
Motor – other classes	9,957	9,501	(6,559)	3,064	(1,644)	4,362
Marine, aviation and transport	7,270	7,538	(2,769)	3,118	(6,624)	1,263
Fire and other damage to property	21,010	21,052	(8,544)	7,811	(27,965)	(7,646)
Third party liability	18,374	17,706	(11,719)	7,080	103	13,170
Other	1,943	2,003	(1,065)	613	(1,612)	(61)
Reinsurance	16,071	15,916	(3,927)	4,584	(31,301)	(14,728)
<b>Total</b>	<b>78,665</b>	<b>77,660</b>	<b>(36,658)</b>	<b>28,124</b>	<b>(69,881)</b>	<b>(755)</b>

## ICP CAPITAL LIMITED

### Notes to the Financial Statements for the year ended 31 December 2016 (continued)

#### 6. Technical provisions

	2016			2015		
Movement in claims outstanding	Gross £000	Reinsurance £000	Net £000	Gross £000	Reinsurance £000	Net £000
At 1 January	(115,998)	99,394	(16,604)	(123,599)	29,745	(93,854)
Movement in technical account	(13,385)	13,006	(379)	2,073	70,430	72,503
Other movements	(10,693)	1,844	(8,849)	5,528	(781)	4,747
At 31 December	<u>(140,076)</u>	<u>114,244</u>	<u>(25,832)</u>	<u>(115,998)</u>	<u>99,394</u>	<u>(16,604)</u>

The reinsurance balance on claims outstanding as at 31 December 2016 comprises of syndicate reinsurance amounting to £34.829m (2015: £24.295m) and corporate reinsurance amounting to £79.415m (2015: £75.099m)

	2016			2015		
Movement in unearned premiums	Gross £000	Reinsurance £000	Net £000	Gross £000	Reinsurance £000	Net £000
At 1 January	(37,124)	33,709	(3,415)	(35,456)	7,455	(28,001)
Movement in technical account	(1,812)	1,158	(654)	(1,005)	25,754	24,749
Other movements	(4,199)	720	(3,479)	(663)	500	(163)
At 31 December	<u>(43,135)</u>	<u>35,587</u>	<u>(7,548)</u>	<u>(37,124)</u>	<u>33,709</u>	<u>(3,415)</u>

The reinsurance balance on unearned premiums as at 31 December 2016 comprises of syndicate reinsurance amounting to £6.758m (2015: £5.270m) and corporate reinsurance amounting to £28.829m (2015: £28.439m).

	2016 Net £000	2015 Net £000
<b>Movement in deferred acquisition costs</b>		
At 1 January	9,033	8,720
Movement in deferred acquisition costs	450	500
Other movements	1,485	(187)
At 31 December	<u>10,968</u>	<u>9,033</u>

Included within other movements of the year ended 31 December 2016 are foreign exchange movements and the effect of the 2013 and prior years' technical provisions being reinsured to close into the 2014 year of account (2015: 2012 and prior years' technical provisions being reinsured to close into the 2013 year of account), to the extent where the Company's syndicate participation portfolio has changed between those two years of account.

#### Assumptions, changes in assumptions and sensitivity

As described in Note 4 the majority of the risks to the Company's future cash flows arise from its participation in the results of Lloyd's syndicates and are mostly managed by the managing agents of the syndicates. The Company's role in managing these risks, in conjunction with the Company's members' agent, is limited to a selection of syndicate participations and monitoring the performance of the syndicates and their managing agents.

The amounts carried by the Company arising from insurance contracts are calculated by the managing agents of the syndicates and derived from accounting information provided by the managing agents and reported upon by the syndicate auditors.

## Notes to the Financial Statements for the year ended 31 December 2016 (continued)

## Assumptions, changes in assumptions and sensitivity (continued)

The key assumptions underlying the amounts carried by the Company arising from insurance contracts are:

- the net premiums written calculated by the managing agent are an accurate assessment of the premiums payable as a result of the risks contractually committed to up to the financial reporting date;
- the net unearned premiums calculated by the managing agent are an accurate assessment of the net premiums written that reflect the exposure to risks arising after the financial reporting date, including appropriate allowance for anticipated losses in excess of the unearned premium;
- the claims reserves calculated by the managing agents are an accurate assessment of the ultimate liabilities in respect of claims relating to events up to the financial reporting date;
- the potential ultimate result of run-off year results has been accurately estimated by the managing agents; and
- the values of investments and other assets and liabilities are correctly stated at their realisable values at the financial reporting date.

There have been no changes to these assumptions in 2016.

The amounts carried by the Company arising from insurance contracts are sensitive to various factors. The Company's syndicate risks are transferred to other entities under the FAL provision agreements and reinsurance agreements, and therefore there is no impact on the net profit.

The historical gross and net claims development relating to the syndicate activities at 31 December 2016 (excluding the impact of corporate reinsurance) is as follows:

Claims development - Gross	At the end of Underwriting year	One year later	Two years later	Profit/(loss) on RITC received and/or in runoff
	£000	£000	£000	£000
Underwriting pure year				
2011	32,658	53,798	53,887	1,585
2012	32,176	50,302	49,862	2,278
2013	24,717	45,388	46,647	2,000
2014	24,968	46,081	50,142	-
2015	21,886	46,557	-	-
2016	29,283	-	-	-

Claims development - Net	At the end of Underwriting year	One year later	Two years later	Profit/(loss) on RITC received and/or in runoff
	£000	£000	£000	£000
Underwriting pure year				
2011	27,178	47,161	46,435	3,242
2012	26,195	41,639	42,089	3,366
2013	21,403	39,684	39,786	4,544
2014	20,988	39,125	41,491	-
2015	18,844	39,463	-	-
2016	22,536	-	-	-

## ICP CAPITAL LIMITED

### Notes to the Financial Statements for the year ended 31 December 2016 (continued)

#### 7. Net Operating Expenses

	2016 £000	2015 £000
Acquisitions costs	24,074	21,811
Change in deferred acquisition costs (Note 6)	(1,935)	(313)
Charges from providers of Funds at Lloyd's	286	635
Administrative expenses	7,785	6,065
Other income/charges	-	(91)
Gain/(Loss) on exchange	(3,304)	(295)
Reinsurers share of expenses	(22,136)	(55,936)
	<u>4,770</u>	<u>(28,124)</u>

The above figures reflect the presentation necessary, mainly in relation to the treatment of the reinsurance contracts that provided part of the Funds of Lloyd's. Since the year ended 31 December 2015, these are now accounted for through the relevant items in the Technical Account (also refer to Note 6), rather than merely through the "Net Operating Expenses" within the "changes from providers of Funds at Lloyd's". Also, there are separate disclosures on the Company's statement of financial position such as reinsurance share of technical provisions and also the debtors/creditors arising out of reinsurance operations, as appropriate.

#### 8. Investment return

	Investments at fair value 2016 £000	Investments available for sale 2016 £000	Total 2016 £000	Investments at fair value 2015 £000	Investments available for sale 2015 £000	Total 2015 £000
Income from investments	1,626	-	1,626	1,452	-	1,452
Gains on realisation of investments	498	-	498	454	-	454
<b>Investment income</b>	<u>2,124</u>	<u>-</u>	<u>2,124</u>	<u>1,906</u>	<u>-</u>	<u>1,906</u>
Unrealised gains on investments	1,695	-	1,695	233	-	233
Unrealised losses on investments	(1,628)	-	(1,628)	(793)	-	(793)
<b>Net unrealised gains/(losses)</b>	<u>67</u>	<u>-</u>	<u>67</u>	<u>(560)</u>	<u>-</u>	<u>(560)</u>
Investment management expenses	(141)	-	(141)	(121)	-	(121)
Losses on realisation of investments	(478)	-	(478)	(470)	-	(470)
<b>Investment expenses and charges</b>	<u>(619)</u>	<u>-</u>	<u>(619)</u>	<u>(591)</u>	<u>-</u>	<u>(591)</u>
<b>Total investment return</b>	<u>1,572</u>	<u>-</u>	<u>1,572</u>	<u>755</u>	<u>-</u>	<u>755</u>

#### 9. Other income

	2016 £000	2015 £000
Performance and agency fee	904	819
Interest income	57	54
Interest income - re-allocated to FAL providers	(52)	(54)
	<u>909</u>	<u>819</u>

**ICP CAPITAL LIMITED****Notes to the Financial Statements for the year ended 31 December 2016 (continued)****10. Other charges**

	<b>2016</b>	<b>2015</b>
	<b>£000</b>	<b>£000</b>
Other charges	1,016	303
Recharged to FAL providers	-	-
	<u>1,016</u>	<u>303</u>

**11. Profit Before Taxation**

The profit on ordinary activities before taxation is stated after charging/(crediting):

	<b>2016</b>	<b>2015</b>
	<b>£000</b>	<b>£000</b>
Auditor's remuneration - audit of the financial statements	17	10
- other services	9	-
Lloyd's fees	12	14
Staff costs (Note 12)	34	36
(Profit) on sale of syndicate capacity (Note 16)	(380)	(102)
Amortisation of syndicate capacity (Note 16)	291	303
	<u>291</u>	<u>303</u>

**12. Staff Costs**

	<b>2016</b>	<b>2015</b>
	<b>£000</b>	<b>£000</b>
Salaries	32	34
Social Security costs	2	2
	<u>34</u>	<u>36</u>

There were no (2015: nil) employees employed by the Company during the year. The above staff costs relate to recharged salaries from ICP General Partner Ltd, a group company.

**13. Directors' Emoluments**

	<b>2016</b>	<b>2015</b>
	<b>£000</b>	<b>£000</b>
Management services: Emoluments	17	18
	<u>17</u>	<u>18</u>



**ICP CAPITAL LIMITED****Notes to the Financial Statements for the year ended 31 December 2016 (continued)****14. Taxation**

	<b>2016</b>	<b>2015</b>
	<b>£000</b>	<b>£000</b>
<b>a) Analysis of tax charge in the year</b>		
Current tax:		
UK corporation tax on profits of the year	-	-
Adjustment to prior period	-	15
Current tax charge/(credit) for year (see (b) below)	-	15
Deferred tax:		
Origination and reversal of timing differences (see (c) below)	(20)	(51)
Effect of tax rate change on opening balance	(91)	-
Total deferred tax	(111)	(51)
Tax (credit)/charge on profit on ordinary activities for the year	(111)	(36)

**b) Factors affecting tax charge for year**

The current tax assessed for the year is lower than the standard rate of corporation tax in the UK of 20.00% (2015: 20.25%). The differences are explained below:

	<b>2016</b>	<b>2015</b>
	<b>£000</b>	<b>£000</b>
Profit/(loss) on ordinary activities before tax	273	618
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.00% (2015: 20.25%)	55	125
Effects of:		
Foreign exchange (loss)/gain on distribution	(27)	(5)
Disallowable expenses	119	125
Overseas tax	(167)	(291)
Effect of change in tax rate	(91)	(5)
Adjustment to prior period	-	15
Total tax charge for period (see (a) above)	(111)	(36)

**ICP CAPITAL LIMITED****Notes to the Financial Statements for the year ended 31 December 2016 (continued)****14. Taxation (continued)****c) Deferred tax**

	<b>2016</b>	<b>2015</b>
	<b>£000</b>	<b>£000</b>
The deferred tax included in the statement of financial position is as follows:		
Included in provisions for liabilities and charges (Note 22)	(882)	(993)
Total recognised deferred tax liability	<u>(882)</u>	<u>(993)</u>
Losses carried forward	-	-
Other temporary differences	(893)	(1,133)
Overseas tax credit carried forward	11	140
Total recognised deferred tax liability	<u>(882)</u>	<u>(993)</u>
Deferred tax liability at the start of the year	(993)	(1,044)
Effect of change of tax rate on opening balances	91	-
Deferred tax credit in the income statement for the year (see Note 14(a) above)	20	51
Deferred tax liability at the end of the year	<u>(882)</u>	<u>(993)</u>

During 2015, the government announced legislation setting the corporation tax main rate at 19% with effect from 1 April 2017 and 18% with effect from 1 April 2020. These rates became substantively enacted on 26 October 2015. The government further announced on 16 March 2016 as part of its Budget that a rate of 17% will apply from 1 April 2020 instead of 18%. This is not expected to have a material effect on the deferred tax balance.

**15. Dividends**

	<b>2016</b>	<b>2015</b>
	<b>£000</b>	<b>£000</b>
Equity dividends declared and paid	<u>-</u>	<u>-</u>

# ICP CAPITAL LIMITED

## Notes to the Financial Statements for the year ended 31 December 2016 (continued)

### 16. Intangible Assets

#### Syndicate participation rights: Capacity

	£000
<b>Cost</b>	
At 1 January 2016	6,070
Purchases	12
Disposals	(269)
As at 31 December 2016	5,813
<b>Amortisation</b>	
At 1 January 2016	2,151
Provided during the year	291
Disposals	(87)
At 31 December 2016	2,355
<b>Net Book Value</b>	
At 31 December 2016	3,458
At 31 December 2015	3,919

The profit on sale of syndicate capacity arising in the 2016 year amounted to £380k (2015: £102k) and is included in the Income Statement – Non-Technical Account of the year.

The syndicate capacity owned by ICP Capital Limited is as follows:

Syndicate	Underwriting Agency	2017 Capacity £	2016 Capacity £	2015 Capacity £	2017 Auction value £	2016 Auction value £	2015 Auction value £
33	Hiscox	11,115,948	9,666,042	9,666,042	8,379,027	7,015,613	5,682,763
218	Equity	9,831,184	8,500,730	7,914,664	826,908	685,159	317,141
386	QBE	4,551,696	5,061,845	5,280,755	1,730,913	3,184,407	3,738,299
510	RJ Kiln	20,590,927	21,113,016	21,113,020	5,683,380	6,819,504	4,721,082
557	RJ Kiln	-	-	-	-	-	-
609	Atrium	10,173,954	10,173,954	10,173,950	6,690,328	6,394,330	4,788,980
727	Meacock	139,998	139,998	139,998	118,102	106,622	80,223
958	Omega	-	-	-	-	-	-
1176	Chaucer	17,785	16,599	15,018	43,370	36,161	27,986
1729	Asta	113,552	-	-	-	-	-
1884	Charles Taylor	-	200,000	142,326	-	420	-
1969	Flagstone	6,000,000	8,018,181	7,127,272	377,889	1,127,356	1,549,825
1991	R&Q	-	5,779,020	5,000,000	-	6,935	7,250
2010	Cathedral	3,825,171	4,765,566	4,765,566	762,779	3,100,001	2,320,735
2014	Pembroke	1,000,000	650,000	500,000	-	-	-
2525	Asta	4,900,823	4,870,273	4,112,954	2,980,447	4,353,537	2,892,147
2526	Asta	-	-	-	-	-	-
2791	MAP	7,951,958	7,951,958	7,951,977	3,853,229	4,423,674	4,066,323
5886	Asta	1,500,000	-	-	150,000	-	-
6103	MAP	-	901,737	805,122	-	-	-
6104	Hiscox	500,000	3,435,040	4,000,000	-	-	-
6111	Catlin	86,554	172,724	153,524	-	-	-
		<u>82,299,550</u>	<u>91,416,683</u>	<u>88,862,188</u>	<u>31,596,372</u>	<u>37,253,719</u>	<u>30,192,754</u>

## ICP CAPITAL LIMITED

### Notes to the Financial Statements for the year ended 31 December 2016 (continued)

#### 17. Financial Investments

The Company early adopted as of 1 January 2016 the amendments of FRS 102 made in March 2016 and effective for accounting periods beginning on or after 1 January 2017.

The Company categorises its fair value measurement using the following three fair value hierarchy levels based on the reliability of inputs used in determining fair values as follows:

Level 1: The unadjusted quoted price in an active market for identical assets that an entity can access at the measurement date.

Level 2: Inputs other than quoted prices included in Level 1 that are observable (i.e. developed using market data) for the asset, either directly or indirectly.

Level 3: Inputs are unobservable (i.e. for which market data is unavailable) for the asset.

Financial investments - Syndicate	Financial investments held at fair value through profit or loss			Held at amortised cost	Total market value	Total Cost
	Level 1	Level 2	Level 3			
	£000	£000	£000	£000	£000	£000
<b>2016</b>						
Shares and other variable yield securities and units in unit trusts	4,072	15,509	8	-	19,589	18,783
Debt securities and other fixed income securities	11,431	66,346	-	-	77,777	77,808
Participation in investment pools	932	422	752	-	2,106	1,901
Other	2,871	8,009	206	-	11,086	10,890
	19,306	90,286	966	-	110,558	109,382

Financial investments - Syndicate	Financial investments held at fair value through profit or loss			Held at amortised cost	Total market value	Total Cost
	Level 1	Level 2	Level 3			
	£000	£000	£000	£000	£000	£000
<b>2015</b>						
Shares and other variable yield securities and units in unit trusts	1,377	12,267	2,374	-	16,018	15,786
Debt securities and other fixed income securities	20,988	30,697	22,583	-	74,268	74,269
Participation in investment pools	179	220	703	-	1,102	923
Other	5,672	1,299	1,047	-	8,018	8,747
	28,216	44,483	26,707	-	99,406	99,725

Financial investments - Corporate	Financial investments held at fair value through profit or loss			Held at amortised cost	Total market value	Total Cost
	Level 1	Level 2	Level 3			
	£000	£000	£000	£000	£000	£000
<b>2016</b>						
Shares and other variable yield securities and units in unit trusts	-	-	-	-	-	-
Debt securities and other fixed income securities	-	-	-	-	-	-
	-	-	-	-	-	-

## ICP CAPITAL LIMITED

### Notes to the Financial Statements for the year ended 31 December 2016 (continued)

#### 17. Financial Investments (continued)

Financial investments - Corporate	Financial investments held at fair value through profit or loss			Held at amortised cost	Total market value	Total Cost
	Level 1	Level 2	Level 3			
	£000	£000	£000	£000	£000	£000
<b>2015</b>						
Shares and other variable yield securities and units in unit trusts	-	-	-	-	-	-
Debt securities and other fixed income securities	-	-	-	-	-	-
	-	-	-	-	-	-

#### 18. Other Debtors

	2016			2015		
	Syndicate	Corporate	Total	Syndicate	Corporate	Total
	£000	£000	£000	£000	£000	£000
Amounts due from related undertakings (Note 27)	-	13	13	-	13	13
Corporation tax	-	-	-	-	-	-
Deferred tax	-	-	-	-	-	-
Early release to member	249	-	249	439	-	439
Other	6,589	-	6,589	5,948	-	5,948
	<u>6,838</u>	<u>13</u>	<u>6,851</u>	<u>6,387</u>	<u>13</u>	<u>6,400</u>

#### 19. Funds at Lloyd's

Included within cash at bank and in hand held as a corporate asset is £11.02 million (2015: £10.7 million) held within the Lloyd's deposit and subject to the restrictions detailed below.

The Funds at Lloyd's represents monies deposited within the Corporation of Lloyd's (Lloyd's) to support the Company's underwriting activities as described in the Accounting Policies. The Company has entered into a Lloyd's Deposit Trust Deed which gives the Corporation the right to apply these monies in settlement of any claims arising from the participation on the syndicates. These monies can only be released from the provision of this Deed with Lloyd's express permission and only in circumstances where the amounts are either replaced by an equivalent asset, or after the expiration of the Company's liabilities in respect of its underwriting.

In addition to the Funds at Lloyd's held, the Company's Lloyd's underwriting is supported by bank guarantees and letters of credit of £30,671,450, £18,521 cash at bank and listed securities of £15,944,689 pledged by third parties to support this company's underwriting.

#### 20. Share Capital

	2016	2015
	£000	£000
Issued and fully paid		
1,000 ordinary shares of £1 each	1	1
	<u>1</u>	<u>1</u>

Notes to the Financial Statements for the year ended 31 December 2016 (continued)

21. Profit and Loss Account

	Syndicate £000	2016 Corporate £000	Total £000
At 1 January 2016	13,337	(12,563)	774
Profit for the financial year	(6,204)	6,588	384
Dividends	-	-	-
At 31 December 2016	<u>7,133</u>	<u>(5,975)</u>	<u>1,158</u>
	Syndicate £000	2015 Corporate £000	Total £000
At 1 January 2015	14,969	(14,849)	120
Loss for the financial year	(1,632)	2,286	654
Dividends	-	-	-
At 31 December 2015	<u>13,337</u>	<u>(12,563)</u>	<u>774</u>

22. Provisions for liabilities and charges

	2016 £000	2015 £000
Deferred tax (see Note 14)	882	993
	<u>882</u>	<u>993</u>

23. Creditors arising out of reinsurance operations

Corporate

The amount of £112.191m (2015: £109.724m) payable to the Company's reinsurers' is offset by the reinsurers' share of the technical provisions of £108.244m (2015: £103.538m) to give a net of £3.947m (2015: £6.186m). This amount will be settled on a net basis normally following the closure of the underlying years of account.

24. Other Creditors including Taxation and Social Security

	2016			2015		
	Syndicate £000	Corporate £000	Total £000	Syndicate £000	Corporate £000	Total £000
Amounts due to group undertakings	-	4,344	4,344	-	15,250	15,250
Amounts due to related undertakings (Note 27)	-	10,941	10,941	-	10	10
Corporation tax	-	-	-	-	-	-
Other tax	-	10	10	-	21	21
Early release from syndicates	-	(435)	(435)	-	1,769	1,769
Other creditors	10,046	3,500	13,546	7,228	3,482	10,710
	<u>10,046</u>	<u>18,360</u>	<u>28,406</u>	<u>7,228</u>	<u>20,532</u>	<u>27,760</u>

## Notes to the Financial Statements for the year ended 31 December 2016 (continued)

**25. Financial liabilities**

The Company early adopted as of 1 January 2016 the amendments of FRS 102 made in March 2016 and effective for accounting periods beginning on or after 1 January 2017.

The Company categorises its fair value measurement using the following three fair value hierarchy levels based on the reliability of inputs used in determining fair values as follows:

Level 1: The unadjusted quoted price in an active market for identical liabilities that an entity can access at the measurement date.

Level 2: Inputs other than quoted prices included in Level 1 that are observable (i.e. developed using market data) for the liability, either directly or indirectly.

Level 3: Inputs are unobservable (i.e. for which market data is unavailable) for the liability.

Financial liabilities - Syndicate	Financial liabilities carried at fair value through profit or loss			Held at amortised cost	Total market value
	Level 1 £000	Level 2 £000	Level 3 £000		
2016					
Derivatives	(5)	(3)	-	-	(8)
Other	-	-	-	-	-
	(5)	(3)	-	-	(8)

Financial liabilities - Syndicate	Financial liabilities carried at fair value through profit or loss			Held at amortised cost	Total market value
	Level 1 £000	Level 2 £000	Level 3 £000		
2015					
Derivatives	(4)	-	(75)	-	(79)
Other	-	-	-	-	-
	(4)	-	(75)	-	(79)

All other financial liabilities of the syndicate participation, including creditors arising out of direct insurance operations, creditors arising out of reinsurance operations and other creditors, are measured at amortised cost.

**Financial liabilities - Corporate**

All corporate financial liabilities are measured at amortised cost.

**26. Contingent Liabilities**

The Company was underwriting at Lloyd's with an allocated capacity for 2016 of £91.4 million (2015 - £88.7 million) (Note 16). This underwriting is supported by Funds at Lloyd's (Note 19) which comprise:

	2016 £000	2015 £000
Letters of Credit and bank guarantees	30,671	30,876
Cash	11,041	10,730
Listed Securities	15,945	15,612
	<u>57,657</u>	<u>57,218</u>

The majority of the cash and letters of credit are applied under an agreement with ICP Securities Limited, incorporated in Guernsey, which is financed by Insurance Capital Partners LP.

An amount of £11,022,441 (2015: £10,707,060) was held as cash in Funds at Lloyd's for the company. The remaining cash was in the Funds at Lloyd's held for third parties (Note 19).

**Notes to the Financial Statements for the year ended 31 December 2016 (continued)**

**27. Related party disclosures**

ICP Capital Ltd is a fellow subsidiary of ICP Holdings Ltd with ICP General Partner Ltd which is its Members' Agent. ICP General Partner Ltd also manages Insurance Capital Partners LP which, until 1 January 2015, provided capital to the Funds at Lloyd's ('FAL') of ICP Capital Ltd through ICP Securities Ltd, a company incorporated in Guernsey. Under a FAL provision agreement between ICP Capital Ltd and ICP Securities Ltd, ICP Securities Ltd receives interest on the Funds at Lloyd's and a profit participation. As described in the Strategic Report, as a result of a reorganisation, for the 2015 underwriting year of account the relationship with Insurance Capital Partners LP and ICP Securities Ltd were replaced with arrangements with ICP Investment Holdings Ltd and ICP Reinsurance Ltd, both newly incorporated companies in the Cayman Islands. These new arrangements are described below:

- ICP Investment Holdings Ltd and ICP Reinsurance Ltd have entered into a FAL provision agreement with the company for the 2015 and subsequent years of account. The FAL has, as part of a restructuring, come from the majority of ex-partners in Insurance Capital Partners LP, in return for various Ordinary, Capital, Open Year of Account and Year of Account Shares in ICP Investment Holdings Ltd.
- In addition, ICP Reinsurance Ltd has entered into a whole account quota share Reinsurance Contract with the company for each of the 2013, 2014, 2015, 2016 and 2017 years of account.

T. Shenton, a Director of the company, is also a Director of ICP Investment Holdings Ltd and ICP Reinsurance Ltd. The company has, as mentioned above, a quota share Reinsurance Contract with ICP Reinsurance Ltd for the 2013, 2014, 2015, 2016 and 2017 years of account.

All the Directors are also shareholders in ICP Investment Holdings Ltd.

There is a balance due from Insurance Capital Partners LP of £12,620 (2015: £12,688) (Note 18) and amounts due to ICP Reinsurance Ltd of £10,940,717 (2015: £10,096) (Other Creditors, Note 24) and £104,573,723 (2015: £103,121,222) (being part of the creditors arising out of reinsurance operations, Note 23).

**28. Ultimate Holding Company**

The Company's ultimate holding company is ICP Holdings Ltd, a company registered in England & Wales. The Company's results are consolidated in the group accounts of ICP Holdings Ltd, copies of which are available at Unit A21, Jack's Place, 6 Corbet Place, London E1 6NN.